

TAKE STOCK PLAN

1. What policy or practical considerations were involved in the selection of the two funds selected - intentional parallelism with the TVA fixed and variable annuity plans of the retirement system?

2. Why were load funds selected over no load or closed end investment companies?

3. Does the Retirement Board watch the performance, expenses, and management fees of other funds and weigh the merits of adding new funds or shifting to other funds?

4. How does the performance (including all costs) of the Variable Annuity Fund compare with the Take Stock funds?

5. What are the morale or other implications of disparate performance to TVA employees or are they unable to compare performances?

6. What is the relationship between the Retirement Board and the mutual fund management with regard to investment policies, if any?

*twice yearly  
conferences*

7. What gave you the confidence to proceed with "Take Stock." Were employees polled to determine their intentions prior to plunging ahead?

8. How were employees educated to the concepts involved and sold the proposition?

9. What levels and types and ages of employees were most responsive?

10. What would TVA have done if it had failed to attain the 1% load level within 13 months - or was this assured before the plan was initiated?

11. If a severe market fall had occurred in the first 13 months, what would have probably happened?

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12. Has there been any significant period when the investments of a substantial number of employees were worth less than sums put in? What was employee reaction - were they fully understanding and prepared for the long term or did a substantial number withdraw?

13. Why are withdrawals not permitted for the first three years? *IRS negotiated*  
What exception might be made in case of obvious acute financial need?

14. Are the penalties for 50% or 100% withdrawal designed to prevent market trends speculation by the individual employee? Why lock the employee out for such lengthy periods as two and three years? *least penalty that IRS would agree to.*

15. How were employees educated as to what mutual funds were, the advantages and disadvantages, etc. In other words, how did you sell them on the concept?

16. Were employees polled to determine their intentions and desires before the plan was launched? How was this done? What were the results?

17. The Take Stock plan appears to have been launched entirely through payroll deductions. Are there reasons why individuals were, and apparently are, not permitted to invest lump sums previously saved or otherwise invested? *IRS won't permit*

18. It is noted that the TVA retains authority to terminate the Take Stock plan and to veto any proposal to contract with additional funds or to eliminate the present funds. Is this legal and on what legal principle? Does this not make TVA liable in the event of malfeasance or misfeasance? *lawyers wanted*

19. Who pays the operating costs of the TVA retirement system - the retirement funds or the TVA itself as an operating expense? *TVA*

20. Is it correct that the Take Stock plan had to be conceptually be accepted as part of the TVA retirement system to qualify for the special tax ruling? Is the fact that the TVA has integrated the operations of the plan into its normal payroll, accounting, and personnel procedures the key to establishing this relationship? If the Take Stock plan were to reimburse TVA for administrative expenses incurred, would such fact jeopardize the relationship? Has anyone ever alleged that the incurrence of expenses by TVA for the voluntary Take Stock plan is improper in that it is discriminatory in favor of participants only?

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21. Participants can switch from one fund to another. What has been your experience over the years? Clearly most seem to prefer the trend funds - has it always been so or has a trend set in?

22. To what extent did you educate employees as to the differences between the trend fund and the income fund?

23. How do retirees choose to receive their Take Stock values - cash, fund shares, cash installments or lump sum, transfers to their fixed or variable annuities? *2/3 cashed out 25% took shares balance to take choice - Should take shares - gives them complete flexibility. tax due at time of take out*

24. Why is participation in payroll savings bonds requisite to Take Stock participation - patriotic paternalism, political practicality, or legal reasons?

25. Terms and conditions - what is the sense and purpose of Article 8, 3.a., b., c., and d.?

26. Am I correct that the costs to the purchaser of the Fidelity Fund shares are roughly as follows:

a. 1% of all share purchases excluding reinvested earnings and realized capital gains.

b. Approximately .94% of net asset value annual management fee.

c. Brokerage fees and related expenses of undeterminable amount.

27. What does it cost to operate the Take Stock plan in terms of additional employees, computer time, forms and supplies, etc.?

*Could have been done independently or via Bank or Trust Co. Could not get equivalent attention & aggressive mgt. & service.*